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TAGS: [PGOV](#) [PREL](#) [PINR](#) [KIPR](#) [SENV](#) [CH](#) [HK](#)
SUBJECT: U.S.-CHINA COMMISSION VISIT TO HONG KONG: AMCHAM
AND ENVIRONMENTALISTS

REF: A. HONG KONG 01689
[1](#)B. HONG KONG 01691

[1](#)1. (SBU) Summary: American Chamber of Commerce (AmCham) representatives discussed IPR issues in Hong Kong and mainland China with a visiting delegation from the U.S.-China Economic and Security Review Commission (USCC) on April 30. One AmCham representative observed that there was "very little legitimate (IPR) business" in the mainland, due to both weak enforcement of existing legal protections for IPR and continuing constraints on market access. Despite some signs of progress on enforcement, market access has worsened. The continuing inadequacy of mainland IPR protection, however, may be beneficial to Hong Kong, with an increasing number of U.S., Chinese, and other companies basing at least some of their operations in Hong Kong, which offers IPR protection and a level playing field. The relocation of companies from Hong Kong to Shanghai and/or Beijing "has calmed down;" the movement continues in both directions, with Hong Kong's advantages for financial and arbitration services proving to be attractive to some mainland companies. Media self-censorship in Hong Kong clearly occurs but is very difficult to prove. Also on April 30, several environmental experts briefed the delegation on Hong Kong views toward climate change, air quality, urbanization, and water issues in both Hong Kong and the mainland. End Summary.

AmCham: IPR and Media Self-Censorship

[1](#)2. (SBU) During an April 30 meeting with the USCC delegation, several AmCham representatives observed that there was "very little legitimate (IPR) business" in the mainland, due to both weak enforcement of existing legal protections for IPR and continuing constraints on market access. That said, however, one member noted that there were some signs of progress in protection, perhaps due to a political decision that innovation and intellectual property were "good for China," although there was "still a long way to go" before the new political will to enforce protection filtered down. On market access, however, the same person observed that the situation had worsened; for example, the approval process for foreign movies remained "capricious," probably due to government market manipulation to protect the domestic film industry. The same member said his firm also had problems with television program black-outs and animation products; for the latter, he said that "China hates to pay royalties," but domestic animation producers, while technically competent, lacked good stories due to political control of the content.

[1](#)3. (SBU) Another AmCham member noted that the continuing inadequacy of IPR protection on the mainland was beneficial

to Hong Kong. He said an increasing number of U.S., Chinese, and other companies were basing at least some of their operations in Hong Kong, in part because the HKSAR offered IPR protection and a level playing field. He said even some Shenzhen companies had chosen to conduct some of their research and innovation in Hong Kong, rather than the mainland, for these reasons. The same member observed that the shift of companies from Hong Kong to Shanghai and/or Beijing "has calmed down;" relocations still occur, but the movement is in both directions, with Hong Kong's advantages for financial and arbitration services proving to be attractive to some mainland companies.

¶4. (SBU) Asked whether media self-censorship was increasing, one member observed that it clearly was occurring but also was very difficult to prove. He said it was "generally expressed through the business side," i.e. through impacts on advertising contracts and revenue. He said Hong Kong's most prominent pro-democracy paper, the "Apple Daily," had positioned itself as "anti-China" through its editorials and carved out a niche for itself, but ordinary Hong Kong people tended not to use it for reliable news coverage. Several other papers, such as "Ming Pao" and the "Hong Kong Economic Journal," were viewed as independent and factual in their coverage of Hong Kong events.

Environmental Issues

¶5. (SBU) During an April 30 lunch to discuss environmental issues, delegation members inquired about Hong Kong's efforts to address climate change. CEO Christine Loh of Civic Exchange responded that some Chinese people in both Hong Kong and the mainland were aware of the climate change problem,

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but that local air quality was a more immediate issue. Both Loh and Professor Cho Nam Ng of the University of Hong Kong observed that cleaning up the manufacturing and transportation sectors would produce a short-term positive impact on air quality and a long-term impact on climate change. Loh urged close involvement of the market in all air quality and climate change solutions.

¶6. (SBU) Regarding urbanization, Loh observed that uncontrolled urban growth in the mainland was having a detrimental impact on the environment. China was investing in roads, rather than public transportation, which forced more people to depend on cars. Ng said Chinese cities in general were extremely polluted, but urban leaders were starting to realize the extent and costs of the problem. As cities began to enforce environmental regulations, however, the major polluters simply moved to rural areas, where they began polluting again. All three interlocutors agreed that China already had adequate environmental laws, but weak enforcement mechanisms. They noted that local mayors on the mainland were evaluated based on economic growth, resulting in much competition among regional governments to attract investment and factories, with little regard to the environmental impact. The central government conducted Environment Impact Assessments, which local governments tended to ignore.

¶7. (SBU) According to the environmentalists, the lack of clean water in China has become a security issue because it is beginning to affect the country's economic development. The PRC faces three main water issues: 1) supply (in particular, shortage in the north); 2) lack of sewage treatment; and 3) cleaning of contaminated water. Pollution of the Yangtze River has garnered international attention, and the Pearl River in Guangdong faces similar pollution problems, although not yet at Yangtze levels. To increase the water supply, China must reduce consumption, increase the use of recycled water in manufacturing, and clean up contaminated bodies of water. Some areas (the north, west, Shanghai, and Macau) have specific water supply problems that

could slow regional growth.

18. (SBU) The USCC delegation cleared this cable.
Cunningham